



"Those who say it cannot be done should not interfere with those of us who are doing it"© - S. Hickman

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71st Congress, 3d Session . . . . .

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### FRANCE NEGOTIATIONS FOR A TREATY BETWEEN THE UNITED STATES AND FRANCE REGARDING DOUBLE TAXATION

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811.512351Double/4

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The Ambassador in France (Edge) to the Secretary of State

No. 138

Paris, January 27, 1930

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[Received February 7.]

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Against the Grain

207,169

SIR: I have the honor to refer to my telegram No. 24 of January 27, 7 p. m.,(1) concerning the double taxation problem as represented the Boston Blacking Company case. All available information to the conclusion that continued litigation in this case will result adversely for the plaintiff. Following several conferences and at my request, the Foreign Office has undertaken informally to have the case held in abeyance until the two Governments have had an opportunity to discuss further the entire question raised by double taxation.

The Minister of Finance has agreed to this plan of action.

As a result of the above negotiations, I enclose a copy and translation of a note dated January 21, 1930, together with a translation of its enclosures, which I have received from the Foreign Office. (1) It will be observed that the French Government feels that before entering into any such negotiations it would be advisable for the representatives of each of the two countries to be made acquainted, at least in general with the fiscal legislation of the other State. The enclosures are summaries of various fiscal laws in France.

I should appreciate the Department's sending to me at its convenience summaries of State and Federal laws of the United States and any additional information regarding Federal income or other taxes which it feels may be of assistance to the French Government in comparing our laws with theirs in the matter of double assessment.

Mr. Howell, First Secretary of this Embassy, who has been intimately associated with this question, will be in Washington about middle of February and will discuss the case fully with you.

I have [etc.]

Walter E. Edge

1. Not printed.

FRANCE

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811.512351Double/9

Ambassador in France (Edge) to the Secretary of State

No. 221

Paris, February 14, 1930.

[Received February 27.]

SIR: With reference to my despatch No. 138 of January 27 last, my telegram No. 34, February 10, 4 p.m.,(2) I have to transmit herewith memoranda,(3) arranged in their chronological order, of further conversations that have taken place with French officials concerning the principle of double taxation as examining the Boston Blacking Company case, as well as a copy of a memorandum prepared for me by Mr. Reagan, Acting Commercial Attache' reporting a conversation which he had on February 10 with Signor Cantu, Assistant Commercial Counselor of the Italian Embassy.

EMBASSY.

The Department will note that on February 1 last, at the time of my purely formal and official visit to the Minister of Finance, M. Cheron, I raised the question of the Boston Blacking Company case and as a result of arrangements made by the Minister at that time I called on M. Borduge, Director General of Taxation, during the course of which conversation M. Borduge made the definite proposal that we enter into negotiations with the French Government looking towards execution of a double taxation treaty.

It will further be noted that M. Borduge stated emphatically that the Ministry of Finance could not give its approval to the undertaking entered into by M. Campana of the Foreign Office to have the case held in abeyance until our two Governments have had an opportunity to discuss further the entire question raised by double taxation. (See my despatch No. 138, January 27, and my telegram No. 24, 27, 7 p. m(2) However, in a subsequent conversation which Mr. Armour (4) had with M. Campana, (Enclosure No. 2 (3)), the Department will note that M. Campana, although apprized of the refusal of the Ministry of Finance to concur in the proposal to hold the matter has taken steps to bring the matter directly to the attention of the Ministry of Justice, through the Procureur of the Republic, and is hopeful that his recommendations will have the desired effect.

I desire to call the Department's particular attention to the attitude shown by M. Borduge with regard to the proposal made by Mr. Mitchell Carroll (5) that the matter be handled by an amendment of the existing French law in the form of an interpreting

2. and 3. latter not printed

4. Norman Armour, Counselor of Embassy in France.

5. Of the Office of the General Counsel, Bureau of Internal Revenue.

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act bringing foreign or at least American corporations owning the control of French subsidiary corporations within the purview of law of July 31, 1920, which exempts French corporations subsidiaries from the dividend tax as to dividends received from French subsidiaries.

In view of M. Borduge's insistence that the only way of handling the matter is by the execution of a treaty, as well as the advice gratuitously tendered by M. Campana to Mr. Armour that he feels that would be useless to attempt to reach a solution through any such as unilateral action by the French Government, I feel that time has come to open negotiations and therefore suggested in telegram to the Department that, if it approves, Mr. Carroll be designated and that he be requested to come to Paris as soon as arrangements can be conveniently made. M. Borduge informs me that Carroll is **expected in Geneva** for the meeting of the Fiscal of the League of Nations in May and it would therefore seem as though he should be able to advance the date of his departure sufficiently to enable him to have a few weeks here in Paris for discussions with the competent French officials.

I have [etc.]

Walter E. Edge

811.512351Double/16

The Acting Secretary of State to the Ambassador in France

No. 137

Washington, April 23, 1930

SIR: I am transmitting herewith two copies of a statement "**Basic Principles of United States Taxes**", prepared by the Department together with the copies of laws and regulations mentioned therein.(8) It is suggested that a set of these be kept in the Embassy's files and that the other set be transmitted through appropriate channels to Mr. Borduge, Director General Taxation, in order that he may study them before the informal discussions to take place during May with representatives of this Government in connection with the double assessment of American firms operating in France through French subsidiaries.

In this connection, I confirm the Department's telegram of 19, 1930,(8) advising you that Mr. E. C. Alvord, Special Assistant to the Secretary of the Treasury, Mr. Mitchell B. Carroll, formerly of the Department of Commerce and now attached to the Office of General Counsel, **Bureau of Internal Revenue** and Professor S. Adams of Yale University, are sailing on the George Washington on April 23. They should therefore reach Paris in the early part of May. As at present advised, it is contemplated that they will

8. Not printed.

FRANCE

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remain in Paris until such time as it may be necessary for Professor and Mr. Carroll to proceed to Geneva in connection with meetings of the Fiscal Committee of the League of Nations. Inasmuch it is understood that Mr. Borduge will also proceed to Geneva for the same purpose, it is believed that the discussions be continued at that place. It is believed that a total period of thirty days should be sufficient at this time to cover the discussions in both cities. Mr. de Wolf who has been handling the Department the question of double taxation in France, is sailing on the Majestic on May 15 to spend his annual leave in Europe and expects to be in Geneva on May 22, at which time he will be prepared to join in the discussions until their conclusion.

As indicated in the Department's telegram No. 62 of March 19, it is presumed that the discussions will consist largely of canvassing the present situation and exploring the possibility of remedial action either in the shape of legislation or the conclusion of a treaty. While it is not expected that the informal discussions to be initiated in May will lead directly to the conclusion of a double taxation treaty between the United States and France, the bases for such a treaty will, however, be thoroughly gone into and the possible limits within which this Government will be prepared to conclude such a treaty will be explained to the representatives of the French Government

ready will be explained to the representatives of the French Government.

The Embassy will, I know, extend every possible assistance in with the forthcoming informal conference. Your past interest and endeavors in this case have been of great assistance to the Department in determining the best procedure to be followed with a view to protecting the important American interests involved in this case. A separate instruction is being sent to you with regard payment of expenses of this Government's representatives(9)

I am [etc]

J.P. COTTON

811.512351Double/19

Ambassador in France (Edge) to the Secretary of State

Paris, May 6, 1930--noon.

[Received May 6--9 a.m.]

No. 130 Your 86, April 24, 5 p.m.(9) Messrs. Adams, Carroll and Alvord have arrived and are now having conferences which will last for several days with all the representatives of American interests concerned. Informal negotiations with the appropriate French authorities will begin on Thursday.

Edge

9. Not printed

COMMENT: I only highlighted a few things one being the Bureau of Internal Revenue because later they changed it to Internal Revenue Service and this was in 1930. And Internal Revenue Service was not created until:

"The official title of the Bureau of Internal Revenue was changed to the Internal Revenue service by Treas. Dept. Order 150-29, eff. July 9, 1953."

From US Government Manual

